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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/610,540	07/07/2000	Richard Elder	CITI0170-US	5478
27510	7590	07/11/2005	EXAMINER	
KILPATRICK STOCKTON LLP 607 14TH STREET, N.W. WASHINGTON, DC 20005			GARG, YOGESH C	
			ART UNIT	PAPER NUMBER
			3625	

DATE MAILED: 07/11/2005

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary

Application No.

09/610,540

Applicant(s)

ELDER, RICHARD

Examiner

Yogesh C. Garg

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-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --
Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 21 March 2005.
- 2a) ☐ This action is FINAL. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 16 and 18-21 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 16 and 18-21 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
 2. ☐ Certified copies of the priority documents have been received in Application No. _____.
 3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

- | | |
|--|---|
| 1) <input checked="" type="checkbox"/> Notice of References Cited (PTO-892) | 4) <input type="checkbox"/> Interview Summary (PTO-413)
Paper No(s)/Mail Date. _____ |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948) | 5) <input type="checkbox"/> Notice of Informal Patent Application (PTO-152) |
| 3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08)
Paper No(s)/Mail Date _____ | 6) <input type="checkbox"/> Other: _____ |

DETAILED ACTION

Response to Amendment

1. Applicant's amendment received on 3/21/2005 is acknowledged and entered. The applicant has amended claim 21. Currently claims 16 and 18-21 are pending for examination.

Response to Arguments

2.1. In view of the amendment made to claim 21 the Objection to claim 1 has been withdrawn.

2.2. Applicant's arguments, see Remarks, page 12, line 20- page 13, line , filed 3/21/2005, with respect to the rejection(s) of claim(s) 16 and 18-21 under USC 103 (a) have been fully considered and are persuasive. Therefore, the rejection has been withdrawn. However, upon further consideration, a new ground(s) of rejection is made in view of Shkedy in view of Abecassis (US Patent 5,426,281) and further in view of Sullivan.

2.3. Applicant's arguments filed on 3/21/2005, see Remarks, page 14 concerning reference Sullivan have been fully considered but they are not persuasive. The applicant argues that Sullivan is not analogous art for combining with Shkedy. In response to applicant's argument that Sullivan is nonanalogous art, it has been held that a prior art reference must either be in the field of applicant's endeavor or, if not, then be reasonably pertinent to the particular problem with which the applicant was

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concerned, in order to be relied upon as a basis for rejection of the claimed invention. See *In re Oetiker*, 977 F.2d 1443, 24 USPQ2d 1443 (Fed. Cir. 1992). In this case, Sullivan 's teachings, as analyzed in the previous office action, are reasonably pertinent to the particular problem with which the applicant was concerned, in order to be relied upon as a basis for rejection of the claimed invention, that is the problem of comparing the final bid amount to a pre-determined threshold amount to determine a preferred payment process. In the same field of electronic commerce that is conducting electronic commerce of selling and buying goods , Sullivan discloses comparing the final bid amount to a pre-determined threshold amount to determine a preferred payment process (see paragraphs 0080, pg.8, " *The database server 32 enables the account administrator to enter any special promotion payment terms, as indicated by block 300..... Special promotion payment terms can encompass anything particular to the individual promotion, ... These special promotion payment terms are also settled by the system 10.* " and paragraph 0097, pg.11, " *The application 174 uses the terms of the promotion to calculate the amount of money due to or that the manufacture owes to the retailer for the promotion based upon the number of promoted products sold or the payment value contracted amount,* ". Note: Sullivan explicitly discloses that promotions, such as special terms of payment are directly related to the contracted value, that is the final bid amount in the application and vary depending upon if the final bid amount is more or equal or less than a threshold amount.

2.4. Applicant's arguments filed 3/21/2005 concerning the reference Hoffman have been fully considered but they are not persuasive because Hoffman's application claims priority to a provisional application 60/175096 filed on January 7, 2004 which is prior to the filing of the applicant's application. Copy of the provisional application 60/175096 is

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enclosed. As analyzed and indicated in the previous office action, on pages 2-3, the previously amended claims 16 and 18-22 of the instant application do not qualify to claim priority to the filing date of the provisional application 60/143021 to comply with the requirements of the first paragraph of 35 USC 112. Therefore, Hoffman's reference is a qualified prior art.

2.5. Applicant's arguments, see Remarks, pages 11-12, filed 3/21/2005, with respect to rejection of claims 18, 19, and 21 under 35 USC 112, first paragraph have been fully considered and are persuasive. The rejection of claims 18, 19, and 21 under 35 USC 112 has been withdrawn, **however, the applicant is required to amend the specification to include the claimed subject matter only which was not included earlier.**

This is a non-final rejection.

Claim Rejections - 35 USC § 103

3 The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

3.1. Claim 16 is rejected under 35 U.S.C. 103(a) as being unpatentable over Shkedy in view of Abecassis (US Patent 5,426,281) and further in view of Sullivan.

Regarding claim 16, Shkedy discloses a method and system for providing a bi-lateral auction at a central controller, via a computer network. Multiple buyers are

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combined to submit a group bid for sellers' products, in order to take advantage of economies of scale. The aggregation of orders demands that all contracts must be binding. As such, Shkedy specifically emphasizes that all parties be verified as holding an account at the central controller and that all parties have adequate credit to execute any transaction.

Before adding a buyer's forward purchase order, FPO, to the aggregated asking price, the central controller authenticates the buyer's identification number against a buyer database (identifying a population comprising ... a potential buyer who are account holders at the central controller). The central controller may require that the buyer provide a credit card number and may also ensure that the buyer has sufficient credit available to cover the purchase price specified in the FPO [Col 5, Lin 61].

A seller then views these aggregated FPOs and places their own "bid" on the contract. The central controller authenticates the identity of the seller as well as verifying the seller's probable capacity to deliver the goods [Col 17, Lin 1]. Authentication involves the central controller extracting the seller ID from the seller's "bid" and looking up the seller's identity in seller database (identifying a population comprising ... a potential seller who are account holders at the central controller) [Col 17, Line 10].

The winning sellers/buyers are informed of the purchase. The seller transfers goods to the buyer. The central controller acts as the arbiter in cases where the goods do not meet the buyer's satisfaction. Upon completion of delivery and verification of

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buyer satisfaction, the central controller automatically confers payment to the seller [Col 18, Line 1].

Shkedy discloses an embodiment where the central controller can be comprised of three distinct elements, an operations server, that handles the posting and receipt of buyers' bids, a certificate authority, which authenticates the identify of buyers and sellers, and a settlement server, which verifies the ability of buyers to pay and the ability of sellers to deliver on FPOs and seller bids. Shkedy discloses that a bank, insurance company or other financial institution could act as the settlement server, establishing the identity of an individual, buyer or seller in that these financial institutions have the capability to back up their certifications and thus can insure both buyers and sellers against fraud. [Col 25, Line 49].

Shkedy explicitly discloses that the central controller in addition to supporting refunds/returns for unacceptable goods/services also supports escrow account payment systems. Escrow accounts allow payments to be delayed until the seller completes delivery of goods while at the same time ensuring the buyer will in fact make payment. The central controller establishes an escrow account as a temporary holding account. When the seller is awarded the contract, funds are transferred from the buyer to the escrow account. Only after the buyer has received the goods are funds transferred from escrow to the intermediary account. The buyer then may transmit a digitally signed release message to the central controller authorizing the release of the escrowed funds to the seller (buyer acknowledges conformance of the good). See the following segments from Shkedy:

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Col.6, lines 58-63, " *The payment system may also involve the use of an escrow account associated with the buyer wherein funds advanced by the buyer to cover the purchase of a desired good can be kept pending delivery of the goods by the selected seller 20. Moreover, the timing of payment to the seller can be varied.* ", Col.11, lines 18-20, "Escrow account 299 is an account which temporarily holds buyer funds before they are transferred either to the intermediary or the sellers' account 298. ", col.18, lines 8-15, " **At step 1040 if the goods do not meet the buyer's conditions as described in FPO 100 the buyer contacts an arbiter at central controller 200 for dispute resolution. This process is described in more detail in the dispute resolution embodiment described later. If the goods meet the conditions, payment is transferred to the seller at step 1050. At step 1060 the transaction is complete.** ", and See also: Col.20, lines 10-21, " Escrow account 299 allows payment to be delayed until the seller completes delivery of the goods, while at the same time ensuring that the buyer will in fact make payment. Central controller 200 establishes escrow account 299 as a temporary holding account. When the seller is awarded PPO 100 funds are transferred from buyer account 297 to escrow account 299. Only after the buyer has received the goods are funds transferred from escrow account 299 to intermediary account 296. The buyer may transmit a digitally signed release message to central controller 200, authorizing the release of the escrowed funds to the seller. ". These segments teach that there is certain time periods are allowed for (a) seller to deliver the goods to the buyer, (b) enabling the buyer to ascertain if the goods received by him meet the buyer's conditions and this step corresponds to allowing time period for buyer to inspect and acknowledge conformance of the goods and if the goods are accepted crediting the final bid amount to the seller's payment account.

Shkedy does not disclose setting first time period for delivery and second time period for allowing the buyer to inspect and if the second time period expires with no further contact from the buyer, retrieving the final bid amount from the escrow amount.

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However, in the same field of endeavor, that is computer based transactions and payments via credit cards a process for protecting the transactions for both buyers and sellers via an escrow agency, Abecassis suggests setting first time period for delivery and second time period for allowing the buyer to inspect and if the second time period expires with no further contact from the buyer, retrieving the final bid amount from the escrow amount (see at least col.3, line 63-col.4, line 27,

"Briefly, these and other objects of the invention are accomplished in its apparatus aspects by means of a computer-based transaction system where parties deposit funds in an escrow that is under the control of an unrelated third party to which the depositing party has effective access; at the time of a purchase transaction, The conditions upon which the deposit will be released are set. The condition entry will also include a time component, i.e. delivery-by-date, that will define the date of the deposit release, i.e. delivery to purchaser (refers to setting first time period for delivery)

..... (27) Also provided is a feature where after a predetermined number of days following the delivery-by-date, payment will be automatically made to the seller unless the buyer has acted in the intervening time to prevent same (refers to setting second time period for the buyer to inspect and acknowledge the conformance of goods but if the second time period expires without receiving the buyer's acknowledgement the final bid amount that is the payment is automatically retrieved from the escrow amount and credited to the seller.)".

In view of Abecassis, it would have been obvious to one of an ordinary skill in the art to have modified Shkedy to incorporate the teachings of Abecassis of setting first time period for delivery and second time period for allowing the buyer to inspect and if the second time period expires with no further contact from the buyer, retrieving the final bid amount from the escrow amount. Doing so, as explicitly disclosed in Abecassis, this modification will allow the Shkedy's method to incorporate the time component as part of the transaction conditions applicable to both buyers and sellers to avoid the tendency of delaying the delivery of the ordered goods to the buyer and of delaying the acknowledgement from the buyer's end of the receipt of goods as per the

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agreed conditions so that the transaction can be closed at the earliest as per agreed terms and conditions without the intervention of either buyer or seller.

Shkedy does not explicitly disclose that the central controller is a financial institution. In that the purpose of applicant's invention is to decrease the probability of fraud in an auction by first verifying the physical existence and the credit of a participant, Shkedy solves a similar problem by verifying the identity of an account holder. It would have been obvious to one skilled in art at the time that the central controller of the auction could have been any type of institution, including a financial institution, that has "account holders", in order to verify the identities of the auction participants and decrease fraud.

Shkedy in view of Abecassis does not disclose comparing the final bid amount to a pre-determined threshold amount to determine a preferred payment process. However, in the same field of electronic commerce, Sullivan discloses comparing the final bid amount to a pre-determined threshold amount to determine a preferred payment process (see paragraphs 0080, pg.8, "*The database server 32 enables the account administrator to enter any special promotion payment terms, as indicated by block 300..... Special promotion payment terms can encompass anything particular to the individual promotion, ... These special promotion payment terms are also settled by the system 10.*" and paragraph 0097, pg.11, "*The application 174 uses the terms of the promotion to calculate the amount of money due to or that the manufacture owes to the retailer for the promotion based upon the number of promoted products sold or the payment value contracted amount,*" . Note: Sullivan explicitly discloses that promotions, such as special terms of payment are directly related to the contracted value, that is the final bid amount in the application and vary depending

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upon if the final bid amount is more or equal or less than a threshold amount). In view of Sullivan, it would have been obvious to one of ordinary skill in the art at the time of the applicant's invention to have modified Shkedy in view of Abecassis to incorporate the feature of comparing the final bid amount to a pre-determined threshold amount to determine a preferred payment process because such promotions of special payment terms are a part of variety of promotions that sellers/retailers use to sell their products/increase their revenues and profits. For, example, stores like Best Buy, Circuit City, etc. provide no interest payment terms for a determined period of time if the order value is more than a predetermined amount, such as \$ 1000, or whatsoever and these special terms of payment motivate buyers to buy large ticket items. If the total order value is less than \$1000 then different payment terms are applicable.

3.2 Claims 18-21 are rejected under 35 U.S.C. 103(a) as being unpatentable over Shkedy in view of Abecassis in view of Sullivan and further in view of Hoffman (US Publication: 2001/0039529).

Regarding claim 18, all the limitations are already covered in claim 16 above, and are analyzed and rejected in view of Shkedy/Sullivan, except for the limitations:

when the buyer determines that the good is non-conforming, setting a third time period within which the buyer either (iii) returns the good to the seller or (iv) requests a bargaining session with the seller;

when the buyer returns the good to the seller within the third time period, setting

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a fourth time period within which the seller inspects the good to determine if the good is in the same condition as it was in when it was originally sent to the buyer; and

when the seller determines that the good is in the same condition, retrieving the final bid amount from the escrow account; and

returning the final bid amount to the buyer's payment account.

However, Hoffman in the same field of exchanging transactions between buyers and sellers, discloses the above limitations (see at least Fig.8 and paragraph 0027, page 3, “ *The buyer receives the products at their location 700. The products are compared to the order 710. The buyer copies the BL form to the receiver form 715. The buyer receives personnel records loaded into a standard PL Receiver 720. The goods are inspected by the buyer 725. If the product passes inspection 730, the goods are ready for payment and invoicing 735. If the goods do not pass inspection, then the buyer submits a claim 740. The buyer compiles the necessary evidence for the claim 745. The buyer then sends the evidence to the supplier 750. The seller can then either refute the claim 755 or negotiate terms 760. If the buyer and seller can not negotiate terms, then the products are returned 765. If the buyer and seller negotiate terms, then the invoice amount is adjusted 770. At this time the goods are ready for payment and invoicing 735.* ”.

In view of Hoffman, it would have been obvious to one of ordinary skill in the art to have modified Shkedy in view of Abecassis in view of Sullivan as applied to claim 18 above to incorporate the missing features, that is when the buyer determines that the good is non-conforming, setting a third time period within which the buyer either (iii) returns the good to the seller or (iv) requests a bargaining session with the seller, when the buyer returns the good to the seller within the third time period, setting a fourth time period within which the seller inspects the good to determine if the good is in the same

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condition as it was in when it was originally sent to the buyer, when the seller determines that the good is in the same condition, retrieving the final bid amount from the escrow account, and returning the final bid amount to the buyer's payment account. Doing so would further enable the method of Shkedy/Abecassis/Sullivan as applied to claim 18 above for resolving the disputes arising from transactions, such as buyers not accepting goods (see Shkedy, col.27, lines 30-56) and the sellers not finding the returned goods acceptable (see Hoffman, paragraph 0027, pg.3) amenably between buyers and sellers, as explicitly suggested in Hoffman and also good for the suppliers to renegotiate the returned/refuted goods prices thereby reducing the costs associated with the returned/refuted goods.

Regarding claim 19, all its limitations are closely parallel to the limitations of claim 18 and are analyzed and rejected in view of Shkedy/Abecassis/Sullivan/Hoffman as applied to claim 18 above, except for the limitation, " setting a fourth time period within which the buyer and the seller negotiate a new bid price for the good". It is evident from Shkedy, as analyzed above that the payment held in escrow account is for a predetermined temporary time and as such all post actions to shipment of goods, such as buyer's acceptance or rejected goods, seller's acceptance and re-inspection of returned goods or agreeing to renegotiate the prices of the rejected/returned goods would be subject to a fixed time period for arriving at a final resolution so that the payment held in escrow is disbursed to the concerned parties, that is buyers and sellers, depending upon the outcome of resolution. In view of this fact it would be

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obvious to set a fourth time period within which the buyer and the seller negotiate a new bid price for the good.

Regarding claims 20-21, their limitations are closely parallel to the limitations of claims 16, 18-19 and are therefore analyzed and rejected in view of Shkedy/Abecassis/Sullivan/Hoffman on the same basis, except for the limitation that the final bid amount is below the pre-determined threshold amount. Sullivan explicitly discloses, as analyzed above, that promotions, such as special terms of payment are directly related to the contracted value, which implies that the final bid amount can vary and could be either more or equal or less than a threshold amount but the steps of debiting the buyer's account, facilitating settlement remain the same. Therefore, the subject matter, that is the final bid amount is more or less than a threshold amount is a non-function subject matter which is not affecting claimed manipulative steps as these steps remain the same regardless of the final bid amount.

Conclusion

4. The prior art made of record and not relied upon is considered pertinent to applicant's disclosure.


US Publication 2003/0195843 A1 to Matsuda et al. discloses a method and system for conducting electronic commerce involving purchasing and selling between a buyer and a seller via a network using escrow service (see paragraphs 0071-0080)

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Any inquiry concerning this communication or earlier communications from the examiner should be directed to Yogesh C. Garg whose telephone number is 571-272-6756. The examiner can normally be reached on M-F(8:30-4:00).

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Wynn Coggins can be reached on 571-272-7159. The fax phone number for the organization where this application or proceeding is assigned is 703-872-9306.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).


Yogesh C Garg
Primary Examiner
Art Unit 3625

YCG
July 6, 2005